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Submitted via Engage Victoria

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Dear Aaron

## **Submission: Ensuring energy contracts are clear and fair draft decision**

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Essential Services Commission (**ESC**) 'Ensuring energy contracts are clear and fair' draft decision (**draft decision**). In general, we strongly support the direction the ESC has taken in reaching draft decisions that will both ensure protection and simplicity for households accessing fair energy pricing in Victoria. Energy prices changing unexpectedly, excessive penalties for paying only a day late and energy offers being difficult to compare are all issues that have resulted in significant harm to the vulnerable and disadvantaged households Consumer Action assists, as well as the wider market.

However, the ESC and Victorian Government must go further and ensure that households who enter energy contracts before the implementation of these reforms are also protected. The draft decision also clearly highlights the need for the Victorian Government to implement a Victorian Default Offer (**VDO**) for gas so that households are not confused by different rules for essential electricity and gas services. This would also address a gap in protections for Victorians using gas services.

Our comments are discussed in more detail below and a summary of recommendations is available at **Appendix A**.

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### About Consumer Action

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

## General comments

As discussed in our joint submission to the Issues Paper stage of this process,<sup>1</sup> there are still outstanding issues that remain following the introduction of the VDO for electricity. For all Victorians to be protected, all must be addressed. These issues include:

1. Victorian households signing up to gas or electricity offers may end up with an unfair pricing outcome that they did not expect. This is due to the retailer's ability to apply unfair penalties for not meeting conditions for 'discounts' or because retailers have the ability to vary pricing and discounting.
2. If Victorian households sign up to an energy market offer, but do not engage regularly, they may end up being defaulted to an unfair price.

The draft decision largely addresses these issues for customers who sign up to an energy offer following implementation of these reforms, and we strongly support draft decision 18 to implement the proposed reforms on 1 July 2020 to comprehensively protect all households signing new contracts as a priority. There is a clear case for minimising all household's exposure to harm as soon as possible. It would be unacceptable to delay protections, as industry has had ample notice of the implementation timeframes.

The draft decision also includes reforms to address what will become 'legacy contracts', which are contracts signed before the implementation of the reforms. We discuss our specific support for these draft decisions in relevant sections below. However, the ESC has reported that 83 per cent of households were on contracts with the harmful features addressed in this reform in June 2019<sup>2</sup> and it is widely accepted that households are unlikely to switch regularly. Therefore, the ESC must go further and design a 'trigger' to protect disengaged households with existing contracts with the 'fair and clear' and VDO reforms. This should be implemented through the final decision. This process should consider a 'trigger' from the first VDO reset following these reforms where households who have not changed energy offers in the last 12 months and who are paying more than the VDO are defaulted if they do not engage. If this is not within the remit of this reform then the ESC should recommend the Victorian Government intervene to ensure that households experiencing harm that were identified by the Independent Review of The Electricity and Gas Retail Markets in Victoria (**Thwaites review**)<sup>3</sup> are protected by the corresponding recommended reforms.

It has also become clear that price reregulation for gas is needed to consistently progress these recommendations from the Thwaites review so that they effectively protect households accessing essential gas services. Instead of pursuing legislative amendments to default households to the best offer at the end of fixed period contracts for gas, the Victorian Government should instead use its powers to instruct the ESC to implement a VDO for gas with a 'bottom up' cost methodology. This would protect people who do not or cannot engage through appropriate defaulting and would also provide a clear way forward for reference pricing that would help people understand whether their gas services are at a fair price.

Competition alone cannot guarantee good outcomes for energy consumers. Households are often overwhelmed by the volume of offers when searching for energy offers, especially given that traditional electricity and gas supply are largely homogenous products that households must purchase and reviewing many similar offers results in confusion and more search costs.

It must also be acknowledged that where retailers are able to change prices through universal variation clauses in contracts, households are subjected to additional risk of paying much more or incurring search costs for finding a different contract where prices are varied at any time. While this may be disclosed to consumers at sign up,

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<sup>1</sup> Consumer Action and COTA Victoria, 1 July 2019. [Submission in response to ensuring energy contracts are clear and fair issues paper.](#)

<sup>2</sup> ESC, 2019. *Ensuring energy contracts are clear and fair; Draft decision*, p.19

<sup>3</sup> Faulkner, P. Mulder, T. and Thwaites, J. 2017. *Independent review of the electricity & gas retail markets in Victoria.*

information disclosure has clear limits<sup>4</sup> especially where people are likely to be experiencing information overload after searching for an offer. Retail energy providers are engaged by households to manage risk exposure with price variations in wholesale energy markets. Theoretical arguments raised about price rises for households due to fixed pricing ignore this dynamic and should be rejected. As experts, retailers are best placed to manage risks related to price changes for the lowest cost to households and the small cohort of households who prefer intensive engagement and managing their own risk will be able to access retail offers under the draft decision's proposed exemptions to fixed pricing.

We also welcome the draft amendments to the Energy Retail Code in the draft decision that would ensure that households in embedded networks receive the protection of a cap on penalties for not paying on time. Households in embedded networks can face additional exposure to unfair pricing as these networks are effectively monopoly environments. The ESC must prioritise setting fair regulated pricing for embedded networks and apply all relevant electricity reforms from the draft decision to embedded networks. Households in these situations should have the same or more protection from harm in comparison to their peers.

**RECOMMENDATION 1.** The ESC design or recommend that the Victorian Government undertake work to implement a 'trigger' to ensure disengaged households on 'legacy' contracts are appropriately transitioned to new contracts where these and the VDO protections apply.

**RECOMMENDATION 2.** The Victorian Government instruct the ESC to implement a VDO for gas.

**RECOMMENDATION 3.** The ESC prioritise setting fair regulated pricing for embedded networks and apply all relevant electricity reforms from the draft decision to embedded networks.

## Ensuring customers can easily compare offers

We strongly support draft decision one to mirror the Australian Consumer Law (ACL) requirements that energy retailers not engage in misleading or deceptive conduct or make false or misleading representations. Where Consumer Action identifies misconduct in these areas, we would value the ESC being able to take enforcement action. The ESC is more focused on Victorian households' access to essential services and therefore more likely to take timely action in comparison to the Australian Consumer and Competition Commission who oversee much more business activity across Australia. This additional capacity for enforcement alone is likely to deter such harmful conduct occurring in an often-confusing essential energy services market. It will also 'future proof' reforms as retailers would be less likely to mislead households including where the 'bundling' of services, 'cash back' and other concepts may create grey areas for specific regulation for what are currently conventional tariffs.

We also strongly support draft decision two to make the VDO for electricity the reference point for all electricity offers and draft decision four to prohibit headline conditional discounts. These would improve household's ability to compare offers consistently if they are able to engage and decrease the likelihood that households experience bill shock as they are likely to be more aware of the highest charges they might pay. These reforms would also provide clearer direction as to what is assessed to be a fair price for electricity by an independent regulator.

However, it must be acknowledged that reference pricing is a form of information disclosure, which is not universally effective in delivering good outcomes for consumers. A household's consumption varying from representative consumption in marketed reference pricing might lead to confusion, but this should be somewhat addressed by the clear advice entitlement and we do not consider this is a significant detriment compared to the benefits of implementing draft decision two. Overall, the reference price will lead to better outcomes for some

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<sup>4</sup> Australian Securities and Investments Commission and the Dutch Authority for the Financial Markets, 2019. *Disclosure: Why it shouldn't be the default.*

cohorts of households who engage with the market in comparison to the current marketing from retailers that such households encounter which may not reveal that rates are higher than the VDO.

Different rules for gas and electricity marketing might also cause confusion. The ESC should recommend that the Victorian Government implement a VDO for gas that is set using a bottom-up cost methodology. This is the best way forward as it would ensure people who are disengaged access a fair price while also enabling consistent reference pricing for gas and electricity. Having separate rules for electricity and gas in relation to reference pricing might confuse households or rightly cause a lack of trust in gas markets by comparison.

**RECOMMENDATION 4.** The ESC proceeds with the draft decision to mirror ACL requirements around misleading and deceptive conduct in the Energy Retail Code.

**RECOMMENDATION 5.** The ESC proceeds with draft decisions making the VDO a reference price for electricity and prohibiting headline conditional discounting.

**RECOMMENDATION 6.** The ESC recommend the implementation of a VDO for gas and that this VDO be used a reference price for gas.

## Fixing market contract prices

It is unfair that energy retailers can undermine the significant effort it requires for most Victorian households to engage and select an energy offer by changing the price at any time and not delivering what households expect. While positive intervention has been undertaken to ensure households are notified before prices change, more intervention is needed to set clear and fair expectations about when households might need to look for a new offer.

Except for an expert cohort of households who can engage with more risk through exposure to wholesale pricing, most in Victoria rely on retailers to manage risks from variable wholesale pricing on their behalf. We support draft decision five that would restrict retailers from transferring the risk of price changes back to households at clearly defined periods. This reform would reduce risk for households and increase trust in the energy market. This draft decision also offers simplicity in messaging around the time of year most households should engage to check whether they are receiving the best prices for their needs.

Problems may arise where price changes all occur on 1 January at a time where many households are less likely to engage (for example, while on holiday) and where most households try to call their retailer on the same day. For this reason, we support the timing of VDO price changes transitioning to the end of the financial year. We also support a transition period where fixed prices can change on a date defined by a retailer within limits set by the ESC until VDO price changes are aligned with the financial year.

Clear advice requirements and draft decision seven would mean retailers are required to inform households of the timing and likely magnitude of known upcoming price changes. Competition has not delivered good outcomes for consumers and theoretical arguments about any unappealing price trends that may arise relative to fixed price changes are addressed by these aspects of the Draft Decision. Also, in practice retailers would still be able to differentiate their offers at different times of year to appeal to households who need different contracting and prices at different times. The ESC should pursue necessary fixed pricing protections to deliver immediate and clearly defined outcomes for the pricing issues households face.

We recognise that some households might want to engage with unconventional retail offers and for this reason support draft decision six for the ESC to operate an exemption scheme from fixed pricing. This scheme must include appropriate safeguards that ensure exemptions are working in the interest of households. These safeguards must include:

- Stringent requirements around Explicit Informed Consent for entering exempt contracts which require clear information about other products available with less risk;
- Regular reporting to the ESC about the number of households contracted on these offers and the proportion of those households receiving or entitled to tailored assistance with corresponding public reporting;
- A robust ESC approval process for exempt products that includes requirements to prove the benefits for households and to define the appropriate intended distribution to households with certain characteristics, similar to the incoming Australian Securities and Investments Commission's Design and Distribution Obligation requirements for financial services firms;<sup>5</sup> and,
- Entitlement to be offered a tariff review for all households on exempt tariffs who are entitled to any form of tailored assistance.

In its final decision, the ESC must also define how it will intervene where these safeguards indicate that households are not getting good outcomes from exempt retail offers. The regulatory framework must have a clear process for protecting households if necessary.

In the workshop hosted by the ESC following the draft decision, the prospect was raised of also allowing households currently on fixed 12 month contracts to change prices on the annual anniversary of entering a contract where they either default to the VDO, select a new 12 month fixed price contract or choose to move to a contract with fixed prices until the next VDO price change. We do not oppose the ESC allowing this to occur as this aligns with the relevant recommendation from Thwaites and might suit the preference of some households. However, it must be a requirement that households receive clear advice from their retailer when re-contracting as to their options. Also, retailers should be required to report to the ESC:

- how many households select to continue 12-month fixed pricing not aligned with the VDO; and
- the proportion of those households who are entitled to, or receiving, tailored assistance.

This information should be publicly reported by the ESC. These requirements would work to prevent or identify any issues that may arise for households who may be confused.

**RECOMMENDATION 7.** The ESC proceeds with the draft decision to fix pricing on market offers in between VDO price changes.

**RECOMMENDATION 8.** The ESC proceeds with draft decisions that retailers disclose the timing and magnitude of price changes to households enter a contract.

**RECOMMENDATION 9.** The ESC implements a robust exemption system for offers that do not have fixed pricing and regularly report the outcomes for households on these offers. The ESC should also establish a system to intervene where exempt products do not produce good outcomes for households.

**RECOMMENDATION 10.** If the ESC allows retailers to continue current 12-month fixed price contracting arrangements, it must ensure clear advice requirements are appropriate for households and that retailers and the ESC regularly report the outcomes for these households.

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<sup>5</sup> See: Australian Securities and Investments Commission, 2019. *Consultation Paper 325, Product design and distribution obligations*. Available at: <https://download.asic.gov.au/media/5423121/cp325-published-19-december-2019.pdf>



## Protecting customers at the end of benefit and contract periods

Households on offers with expired benefit periods are likely to be paying the highest prices for electricity. In the past, many retailers inflated base rates so they could advertise with higher headline pay on time 'discounts.' Households who took up these offers are at risk of paying unfair prices if they do not engage when benefits expire. The offer described in the case study below demonstrates the unacceptable prices a household can pay both with and without 'benefits.'

### Case study – high base rates contributing to thousands in debt

Recently a face-to-face financial counsellor forwarded a bill to Consumer Action showing a person with more than \$10,000 in energy debts being charged \$1.57 a day plus blocks of over 55c/kWh and 59c/kWh where conditional discounts were not met. Even if the conditional discounts were met the rates charged on the bill exceeded 30c/kWh compared to the VDO price (\$1.23 per day plus 24.03c/kWh), which would mean that the household would be paying around \$50 more than the VDO for that bill despite low usage (less than 12kWh/d).

We support the abolition of benefit periods through draft decision 8 as one measure to protect households by disincentivising retailers from designing products like in the case study above. Benefit periods offer little to households other than confusion, bill shock or frustration. As explained above, measures must also be taken to ensure that 'legacy' expired benefit electricity contracts default to VDO protections where a household is paying more and is disengaged.

The draft decision may present transitional issues for households within benefit periods like large conditional discounts from what will be 'legacy contracts' at 1 July 2020. These households could have conditional discounts 'locked in' until the end of their contracts that are not in their interests and still have underlying price changes when the VDO price changes. However, these transitional issues should not stop the draft decision, as this decision will deliver protections for many that outweighs any potential disadvantage during the transitional period. Instead, retailers should be required to immediately report how many households are affected by the transition including the nature of benefits carried forward. Regular reporting as to the impacts on outcomes on these households should also be required. The ESC should publicly report on the impact of this transition and make targeted interventions if needed.

We also support the elements of draft decision 9 that relate to electricity. If households do not engage, they should default to the VDO, which is designed be a fair price protection for people who do not engage. In relation to gas, we support the best-offer being the default as opposed to the status quo but strongly prefer that a gas VDO is implemented with a bottom up cost methodology as the default instead. Instead of suggesting the Victorian Government make legislative amendments to make the best offer a default, the ESC should instead advise the Victorian Government to commit to a gas VDO.

The Victorian Government has the power to instruct the ESC to implement a gas VDO, which would allow implementation of this reform in a timelier way than introducing legislation requiring defaults to the best offer. Defaulting gas contracts to the best offer, as is being currently proposed, might be problematic where the best offer calculation includes conditional discounting that is not appropriate for some households.

There are many issues which a gas VDO would address. Gas offers are often harder to compare than electricity offers as retailers vary underlying tariff structures more often. Gas prices have also risen significantly over time. Now is the opportune time for the Victorian Government to task the ESC with ensuring all households in Victoria

have a right to access a fair price for gas, while also ensuring rules that arise from this process do not confuse households due to inconsistency for different fuels.

**RECOMMENDATION 11.** The ESC proceeds with the draft decision to align 'benefits' with the contract length to effectively abolish 'benefit periods.'

**RECOMMENDATION 12.** The ESC requires reporting on outcomes for households whose 'benefits' are 'locked in' during the transition and make targeted interventions if needed.

**RECOMMENDATION 13.** The ESC proceeds with the draft decision to default households to the VDO at the end of fixed term electricity contracts.

**RECOMMENDATION 14.** The ESC recommend that the Victorian Government instruct the ESC to implement a VDO for gas and that households default to this VDO for gas if they do not engage at the end of a fixed term contract.

## Regulating conditional discounts

As demonstrated in the case study above, conditional discounting practices have caused significant harm to Victorian households and their construction needs regulatory intervention. The ESC reported at June 2019:

- 85 per cent of household's electricity offers had discounts;
- 75 percent of these were pay on time 'discounts'; and
- one in five households did not meet an offer condition in that financial year.<sup>6</sup>

Given normal switching rates, it is unlikely that many households have moved away from these offers if they are inappropriate or causing harm. Bills from callers to financial counsellors at Consumer Action in the past have shown adverse outcomes like a person in payment difficulty paying over 500 dollars extra on a single bill due to excessive base rates with a high pay on time 'discount' percentage rate. We strongly support draft decision 10 because a cap on the penalty for not meeting 'pay on time' conditions would provide consistently enforceable protections for households in Victoria regardless of their retailer. The ESC should ensure that the definitions surrounding the cap capture structures like in *Figure 1* below.

**Figure 1**

### Discounts and fees

#### Discounts:

#### Conditional (0%): Free Power Bonus

Pay a bill on time and receive a fixed Free Power Bonus on your next bill.  
\$84/year

*Figure one: Energy Locals Online Saver - Citipower Residential Anytime - Bulk offer (Retrieved 03 January 2019 from Victorian Energy Compare)*

<sup>6</sup> ESC, 2019. *Victorian Energy Market Report 2018-2019*



We also support draft decisions 11, 12 and 13 as this methodology for capping conditional discounts as the 3.74 percent cap given as a working example is acceptable. In making a comparison to water, the ESC must be explicit that they are not seeking to apply interest charges to debts as is sometimes allowed in the water industry. Also, some stakeholders have suggested rounding the figure produced by the methodology to offer simplicity. We consider rounding to two decimal points acceptable as this reflects common practice with banking and rounding up any further could see significant extra revenue for some retailers across their hundreds of thousands of customers in Victoria.

The Thwaites review recommendation 4E being implemented by this draft decision instructs that the ESC cap all conditional discounting, not just the time-based conditional discounts that have been the most problematic to date. The ESC should follow the recommendation and future proof the Energy Retail Code by also requiring that all other conditional discounts cannot exceed a retailer's reasonable costs for the condition being met. Adding this requirement would deter retailers from constructing a new type of conditional discount, which is likely to produce excessive margins. It would also allow timely and appropriate intervention and enforcement if such a product did arise.

People engaging with their retailer to overcome payment difficulty should not be penalised for an inability to pay on time. We strongly support draft decision 15 as all retailers honouring discounts for people in tailored assistance would ensure consistent protection for people who may be harmed by 'legacy contracts' when these reforms are implemented. We stress that compliance with the Payment Difficulty Framework (**PDF**) should be an ongoing ESC compliance and enforcement priority to ensure that people receive the tailored assistance they are entitled to. The case study above also shows that people can still be paying above the VDO when discounts are applied, proving that the existing PDF customer entitlement to assistance to find the most suitable tariff for households to lower energy costs when they are unable to meet their ongoing costs is a complimentary and necessary ongoing protection.

Given the volume of households who were on conditional discounts as at June 2019, the need to consider and address the issues set out at the beginning of this submission in relation to 'legacy' conditional decisions remains. The ESC should require regular reporting on the amount of legacy discounting and make this public. As above we recommend a trigger be implemented to give effect to the protections in these reforms for all households where necessary.

**RECOMMENDATION 15.** The ESC proceeds with its draft decision for the ESC to cap pay on time 'discounts.'

**RECOMMENDATION 16.** The ESC proceeds with the proposed methodology for caps on pay on time 'discounts' but makes it clear no interest charges will be applied to debts. The cap should not be rounded any more than to two decimal places.

**RECOMMENDATION 17.** The ESC also require that conditional discounts other than those for paying on time are capped at the reasonable cost to the retailer of a condition not being met.

**RECOMMENDATION 18.** The ESC proceeds with the draft decision to require all retailers to honour pay on time discounts when households are receiving tailored assistance.

**RECOMMENDATION 19.** The ESC continue to require reporting on the proportion of households on conditional discount offers and publicly report outcomes for these households.

## Including information about the VDO on bills

The VDO, among other objectives, is an important protection that provides an indication of a fair price for electricity to households who engage. The proposed prescribed text about the VDO on the bill per draft decision 16 should be adjusted to plain English that indicates that the VDO is a fair price that retailers must offer to their customers. The prescribed message should also include the equivalent billing amount on the VDO or the percentage a household is paying relative to the VDO when a retailer includes a best price notification on the bill so households can easily compare their current pricing to an amount that is considered fair by the ESC.

It must also be recognised that information disclosure has its limits and while this intervention should be refined it should not supplement ensuring people default to the VDO protection when they are disengaged and paying more than the VDO as a result. To ensure the best impact possible the ESC should also complete consumer testing to ensure the prescribed text is understood and trusted.

**RECOMMENDATION 20.** The prescribed text on billing to notify households of the VDO be adjusted to plain English and include that the VDO is a fair price that must be offered to households. It should also have tailored information corresponding with best price notifications.

**RECOMMENDATION 21.** The ESC complete consumer testing to ensure the prescribed text on billing to notify households of the VDO is understood and trusted.

## Reducing allowable back-billing period

Consumer Action strongly supports draft decision 17 to reduce the back-billing period for undercharged amounts to four months. Households engage energy retail services to manage the risk of variable prices in the wholesale market and provide this in regular bills. A failure of an energy retailer to perform the second duty correctly should not result in households being in bill shock, through no fault of their own, with costs of up to nine months of energy use. A limitation of four months will incentivise retailers to address billing issues while also appropriately limiting risks of unexpected costs to households.

Some stakeholders have raised the prospect of more aggressive investigation as to whether a customer is at fault for undercharging in response to this draft decision. Occasionally Consumer Action's legal advice line hears of back billing issues, and these issues are referred to EWOV who would be the best source of information as to who is commonly at fault. There may be situations where according to the Energy Retail Code a back-billing issue arises through a new energy technology provider engaged by a household. Stronger regulations are needed for new energy technology providers to protect households.<sup>7</sup> However, in the meantime the ESC should add a requirement that a retailer provide written evidence of how a third party engaged by a household has caused a back billing issue that the household may use to resolve a dispute using protections from the ACL.

**RECOMMENDATION 22.** The ESC proceeds with the draft decision to limit back billing for undercharging to four months.

**RECOMMENDATION 23.** Where stronger regulation of new energy products and service providers are not in place, the ESC require retailers to provide written evidence of how a third party engaged by a

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<sup>7</sup> Consumer Action, 2019. *Sunny Side Up; Strengthening the consumer protection regime for solar panels in Victoria*. Available at: [https://consumeraction.org.au/wp-content/uploads/2019/06/1904\\_Sunny-Side-Up-Report\\_FINAL\\_WEB\\_NEW-1.pdf](https://consumeraction.org.au/wp-content/uploads/2019/06/1904_Sunny-Side-Up-Report_FINAL_WEB_NEW-1.pdf)

household has caused a back billing issue that the household may use to resolve a dispute using protections from the ACL.

Please contact **Jake Lilley** at **Consumer Action Law Centre** on 03 9670 5088 or at [jake@consumeraction.org.au](mailto:jake@consumeraction.org.au) if you have any questions about this submission.

Yours Sincerely,

**CONSUMER ACTION LAW CENTRE**



**Katherine Temple** | Director Policy and Campaigns



**Jake Lilley** | Senior Policy Officer

## APPENDIX A - SUMMARY OF RECOMMENDATIONS

- RECOMMENDATION 1.** The ESC design or recommend that the Victorian Government undertake work to implement a 'trigger' to ensure disengaged households on 'legacy' contracts are appropriately transitioned to new contracts where these and the VDO protections apply.
- RECOMMENDATION 2.** The Victorian Government instruct the ESC to implement a VDO for gas.
- RECOMMENDATION 3.** The ESC prioritise setting fair regulated pricing for embedded networks and apply all relevant electricity reforms from the draft decision to embedded networks.
- RECOMMENDATION 4.** The ESC proceeds with the draft decision to mirror ACL requirements around misleading and deceptive conduct in the Energy Retail Code.
- RECOMMENDATION 5.** The ESC proceeds with draft decisions making the VDO a reference price for electricity and prohibiting headline conditional discounting.
- RECOMMENDATION 6.** The ESC recommend the implementation of a VDO for gas and that this VDO be used a reference price for gas.
- RECOMMENDATION 7.** The ESC proceeds with the draft decision to fix pricing on market offers in between VDO price changes.
- RECOMMENDATION 8.** The ESC proceeds with draft decisions that retailers disclose the timing and magnitude of price changes to households enter a contract.
- RECOMMENDATION 9.** The ESC implements a robust exemption system for offers that do not have fixed pricing and regularly report the outcomes for households on these offers. The ESC should also establish a system to intervene where exempt products do not produce good outcomes for households.
- RECOMMENDATION 10.** If the ESC allows retailers to continue current 12-month fixed price contracting arrangements, it must ensure clear advice requirements are appropriate for households and that retailers and the ESC regularly report the outcomes for these households.
- RECOMMENDATION 11.** The ESC proceeds with the draft decision to align 'benefits' with the contract length to effectively abolish 'benefit periods.'
- RECOMMENDATION 12.** The ESC requires reporting on outcomes for households whose 'benefits' are 'locked in' during the transition and make targeted interventions if needed.
- RECOMMENDATION 13.** The ESC proceeds with the draft decision to default households to the VDO at the end of fixed term electricity contracts.
- RECOMMENDATION 14.** The ESC recommend that the Victorian Government instruct the ESC to implement a VDO for gas and that households default to this VDO for gas if they do not engage at the end of a fixed term contract.
- RECOMMENDATION 15.** The ESC proceeds with its draft decision for the ESC to cap pay on time 'discounts.'
- RECOMMENDATION 16.** The ESC proceeds with the proposed methodology for caps on pay on time 'discounts' but makes it clear no interest charges will be applied to debts. The cap should not be rounded any more than to two decimal places.
- RECOMMENDATION 17.** The ESC also require that conditional discounts other than those for paying on time are capped at the reasonable cost to the retailer of a condition not being met.

**RECOMMENDATION 18.** The ESC proceeds with the draft decision to require all retailers to honour pay on time discounts when households are receiving tailored assistance.

**RECOMMENDATION 19.** The ESC continue to require reporting on the proportion of households on conditional discount offers and publicly report outcomes for these households.

**RECOMMENDATION 20.** The prescribed text on billing to notify households of the VDO be adjusted to plain English and include that the VDO is a fair price that must be offered to households. It should also have tailored information corresponding with best price notifications.

**RECOMMENDATION 21.** The ESC complete consumer testing to ensure the prescribed text on billing to notify households of the VDO is understood and trusted.

**RECOMMENDATION 22.** The ESC proceeds with the draft decision to limit back billing for undercharging to four months.

**RECOMMENDATION 23.** Where stronger regulation of new energy products and service providers are not in place, the ESC require retailers to provide written evidence of how a third party engaged by a household has caused a back billing issue that the household may use to resolve a dispute using protections from the ACL.